

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: April 2, 2010

Approved



Date

4/2/10

SUPPLEMENTAL

SUBJECT: **PROCUREMENT REPORT AND PROPOSED AMENDMENTS TO SECTIONS 4.12 AND 4.16 OF THE MUNICIPAL CODE TO STREAMLINE PROCUREMENTS AND THE DISPOSITION OF SURPLUS PERSONAL PROPERTY**

REASON FOR SUPPLEMENTAL MEMORANDUM

The reason for this Supplemental memorandum is to provide a response to questions raised at the Public Safety and Strategic Support Committee meeting on March 18, 2010. Specifically, a question was raised by the Committee regarding the disposition of surplus property and why the City uses a contractor instead of City Staff to list and sell surplus items on eBay. The Committee also requested information on the contract prices the City pays for this service.

Contract pricing for e-bay transactions is demonstrated in the table below:

	Description for Online Auctions:	Commission	Other Charges
1	Commission for Online Auctions	5%	
2	eBay Posting Fee (per auction period)		\$57.00
3	eBay Transaction Fee (per item sold)		\$40.00

The eBay fees are included in the above fee structure. In addition, the contractor provides the following services:

- Visual inspection of each item to be sold online; estimate of the value of each item.
- For all surplus vehicles; cleaning of vehicles, DMV requirements satisfied including smog and safety checks and all document transfers.
- Storage of all City vehicles and other items up for auction.

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- Photographing and providing descriptions of each item, review with relevant department before posting.
- Valuing items so that realistic auction reserves can be established.
- Marketing unusual items to specific groups or individuals through other sites, email blasts etc.
- Posting and monitoring the online activity, and reposting when necessary.
- Delivery of product to buyer or handling the pick-up of item.
- Responding to all questions/queries in a timely manner such that favorable eBay feedback seller ratings are maintained.
- Collect all monies and distribution of funds to the City. In addition, most buyers want to pay by credit card or PayPal so secure internal process would need to be established related to account management.
- Contractor must also comply with all pertinent provisions of Bulk Sales laws as well as any State, Federal and Local regulation, including, but not necessarily limited to, obtaining all necessary licenses and permits, posting required bonds, payment of all fees and expenses thereof and as they pertain to the sale of the City's property.

Over the past 24 months, the contractor has listed 63 on-line auctions for vehicles and miscellaneous equipment. Net revenue to the City for these transactions was \$243,000 and \$12,000 in commissions was paid to the contractor.

On average, each transaction takes approximately 2.5 hours to process. Assuming a fully loaded Analyst II rate of \$60 per hour, the cost for City staff to perform this function would be approximately \$9450. Currently, the City does not have the expertise or systems capability to perform several of the functions listed above, so additional resources and associated cost would be required for training, set-up, and maintaining internal processes and controls.

/s/

SCOTT P. JOHNSON
Director, Finance Department

For questions, please contact Mark Giovannetti, Purchasing Division Manager at 408-535-7052.